

AR48

See

Confederation Life
Annual Report
1976



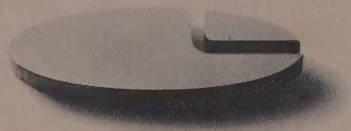
Anticipating the future

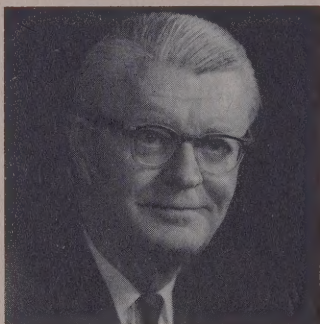
Anticipating the future

ANTICIPATE: make provision for in advance; look forward to, expect. Both shades of meaning apply to our business and reflect, in essence, our role in supplying a wide array of financial services to take care of future needs.

1976 Achievements at a Glance

		Stated in '000's of Dollars	
		1976	1975
NEW BUSINESS—Premiums		72,186	80,837
Individual	\$	21,602	\$ 18,824
Group		50,584	62,013
NEW BUSINESS—Amounts			
Individual		921,874	800,786
Group		1,661,959	3,316,442
BUSINESS IN FORCE—Amounts		2,583,833	4,172,28
Individual Life		5,345,879	4,908,744
Group Life		11,864,597	10,224,921
Annuities and Pensions (equivalent basis)		2,614,120	2,427,570
HEALTH INSURANCE IN FORCE			
Premiums		131,558	109,812
BENEFITS			
Contractual Payments to Policyowners and Beneficiaries		242,541	199,838
Individual Dividends to Policyowners		19,981	18,707
ASSETS		1,713,846	1,485,332
SURPLUS		69,010	66,141
NET RATE OF INTEREST EARNED		7.80%	7.47%





Report of the Directors to Policyowners

The past year, during which Confederation Life completed one hundred and five years of service, was one of significant progress in many areas of the company's operations. There are now more than one and three-quarter million people in Canada, the United States, the Caribbean and the United Kingdom who, along with their dependants, are served by Confederation Life policies.

Among the company's achievements in recent years, the growth of Group life and health business has been outstanding. Confederation Life sold its first Group contract in 1927, fifty years ago, and is now one of the most prominent underwriters of Group insurance in Canada. In 1976 Group sales again exceeded our expectations by a substantial margin although they did not match the extraordinary level of 1975. During the year, to improve further our service to clients, an advanced computer system was introduced for the processing of health claims. The flow of corporate pension funds for Confederation Life investment management continued to be a major source of income, showing an increase of almost 50% over the previous year.

In the Individual lines, further updating of marketing techniques and products was effected, and sales of Individual policies increased in all major areas of operation.

Confederation Life has, for many years, played a major role in the life insurance markets of the Caribbean Islands. Our sales offices in Jamaica and Trinidad have been leaders among all our world-wide branches. In recent years, the attitude of the governments of these two countries towards non-domestic life insurance companies has been such as to create serious uncertainty regarding our ability to recoup the investment we are making in new business. For

this reason, we are currently taking measures which will limit expansion of this business.

Mortality experience in 1976 was favourable, with death claims running below expected levels. Offsetting this positive effect on operating income was the unusually adverse pattern of Group health claims in the United States.

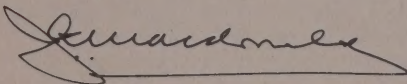
Investment activity during the year reflected the high level of return obtainable on fixed income investments. The amount committed to mortgages reached a record level. Falling interest rates in the latter part of the year brought about increased market values. As a result, at year-end a significant improvement took place in the relationship between the book values and the market values of both bond and common stock holdings.

In July J. Craig Davidson retired as President and Chief Executive Officer as a result of recurring health problems. Much of the success of Confederation Life in recent years can be attributed to Mr. Davidson who served the company for thirty-nine years, the last seven as President. On September 1st John A. Rhind became President and Chief Executive Officer. Mr. Rhind, a former President of the Canadian Life Insurance Association, and a member of the Board of the American Council of Life Insurance, has had thirty years experience in this industry in Canada, the United States and the Caribbean.

The Board was pleased to appoint, in November, Helen D. Phelan as a Director. Mrs. Phelan is prominent in public service and business affairs. Early in 1977 H. C. F. Mockridge will reach the age of mandatory retirement from the Board and will not be standing for re-election at the time of the annual meeting. Mr. Mockridge served effectively as a Director for thirty years and his wise counsel will be missed.

In December it was announced that A. J. Trusler, Vice-President, Investments, would retire early in 1977. Mr. Trusler reached retirement age in 1976 after completing forty-seven years of notable service with the company. Effective January 1st, 1977, John H. Watson was appointed Vice-President, Investments, to replace Mr. Trusler.

The Board of Directors expresses its appreciation to the staff and the field force whose loyalty and dedication have made possible the excellent results achieved by the company.



J. K. MACDONALD
Chairman of the Board

967-8111





Report on Operations

In the many marketplaces in which Confederation Life operates, 1976 was a year of continued growth in services offered and business written. This gratifying market performance was accompanied by highly satisfactory overall financial results.

Sales of Individual life insurance amounted to \$21.6 million of new annual premiums in 1976, an increase of 14.8% over 1975. Of this amount, Canadian business accounted for \$6.3 million, an increase of 7.0%. United States sales were \$7.5 million, up 19.3%, United Kingdom \$4.6 million, up 15.8%, and Caribbean \$3.2 million, up 37.7%.

In 1976 our Group sales amounted to some \$51 million in new annual premiums, a figure in excess of our objectives though less than the \$62 million in 1975. A major element in the result for 1975 was one exceptionally large Group policy. Apart from the effect of this one policy, 1976 Group sales represent an increase over the corresponding 1975 figures.

The total amount of Individual life insurance and annuities in force rose 9.3% to \$5.8 billion of sums insured. Group life insurance in force increased 16.0% to \$11.9 billion. Group health premiums in force were \$128.2 million, up 20.1%, and total general and segregated fund assets being managed for Group pensions increased 30.0% to \$454.4 million.

The total income from all sources reached \$542 million, an increase of 20%. Of this amount, \$349 million was premiums from policyowners, \$97 million was segregated fund deposits and investment income, and \$96 million was net investment income on general funds. Payments to policyowners and beneficiaries together with the provision for such future payments increased 22% to \$461 million. Sales and administrative expenses rose 15%

to \$63 million. After making full provision for Canadian corporate taxes, net operating income was \$5,361,000 in 1976 compared to \$6,423,000 in 1975.

Exclusive of segregated funds, assets totalled \$1,361 million, an increase of \$131 million, or 11%. Mortgage activity was at a record level with mortgage loans increasing by \$59 million after allowing for principal repayments. Further emphasis on fixed income investment is indicated by the increase of \$45 million in bonds.

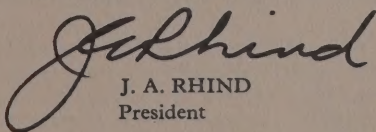
Policy loans reached \$114 million, an increase of \$11 million, the same amount as the increase during the previous year. The net rate of interest earned on the company's assets, after deducting investment expenses, rose to 7.80% from 7.47%.

Net income in segregated fund accounts was \$97 million, compared to \$64 million, and the total market value of segregated fund assets rose to \$353 million.

Higher market values for bonds and stocks brought about a reduction in the shortfall between book values and market values. The investment valuation reserve was increased by \$2 million and the contingency reserve by \$5 million. After these, and other adjustments, the balance in the surplus account increased by \$3 million to \$69 million.

Note 4 to the financial statements refers to the profit of \$998,000 arising from the sale, in compliance with recent legislation in Venezuela, of the direct Venezuelan business of Confederation Life to its non-consolidated affiliate company in Venezuela. In addition, this legislation calls for an increase in the local ownership of the shares of our affiliate company. Negotiations are currently under way to reduce our share holding to the required 20%.

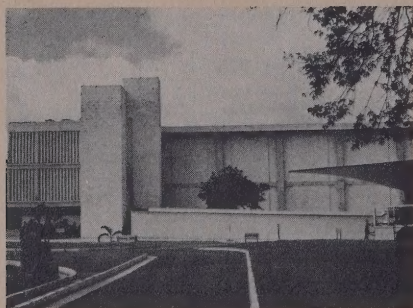
The overall picture for 1976 was one of achievement and success in both sales and financial areas. When the depth and quality of personnel resources are also considered, Confederation Life can be viewed as being in a strong position to offer a high level of service and security.


J. A. RHIND
President

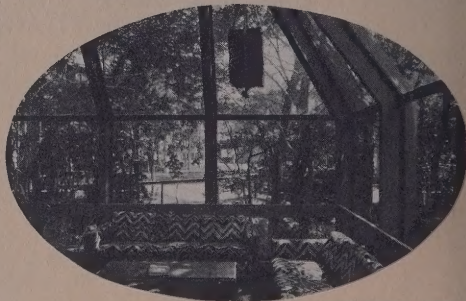




BRISTOL PLACE, TORONTO



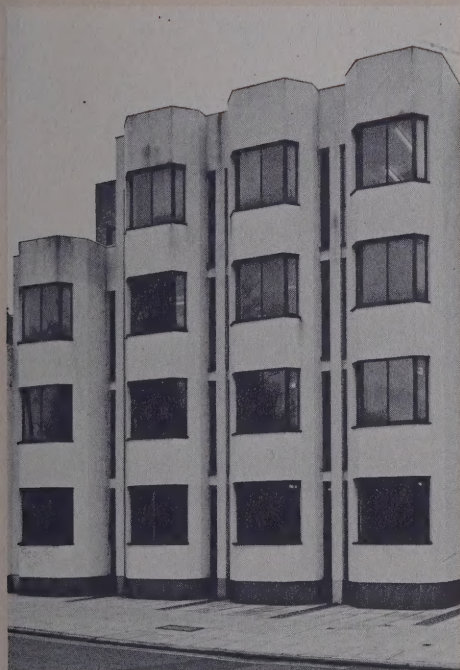
BARBADOS TELEPHONE COMPANY



TIMBERCREEK, AUSTIN

Financed by... Confederation Life

Confederation Life investments touch nearly every phase of industrial and commercial activity. Many support government development programs; others are connected with mining and oil production, with steel and forest products, with providing homes, apartments, shopping malls, sewers, hydro and water services, with constructing hospitals and educational facilities. And, as the real estate and mortgage investments shown above illustrate, they are widely spread geographically, matching the international breadth of our marketing operations.



LANDPORT TERRACE, PORTSMOUTH, U.K.



WINDRIDGE,
AUSTIN



SANDRINGHAM, MONTREAL



COURTS OF ST. JAMES, WINNIPEG

The capital funds generated by Confederation Life operations perform a significant role in community growth and development. In addition, the successful investment of these funds is a major element in the company's ability to provide competitive products and services. The financial statements on the following pages reflect the contribution made by these investment programs to the overall progress of the company in 1976.



Consolidated Statement of Operations

for the year ended December 31, 1976

Stated in '000's of Dollars

	1976	1975
INCOME		
Premiums from Policyowners	\$348,847	\$303,526
Segregated Investment Funds being Deposits and Income	97,006	64,552
Interest, Dividends and Rents, Less Investment Expenses	95,655	82,726
	<u>\$541,508</u>	<u>\$450,804</u>
DISTRIBUTION OF INCOME		
To Policyowners and Beneficiaries		
Death Claims	\$ 53,497	\$ 51,567
Endowments Matured	8,278	9,038
Annuity Payments	23,333	19,070
Disability and Health Benefits	116,759	88,877
Surrender Payments	34,861	26,332
Interest to Policyowners	5,813	4,954
Increase in Segregated Investment Fund Liabilities	82,699	54,791
Increase in Funds Necessary for Future Contract Payments	101,643	94,754
Dividends to Policyowners Paid or Set Aside	34,158	29,471
Operating Expenses		
Service, Sales and Administration Expenses	63,258	55,070
Taxes and Licence Fees	11,848	10,457
	<u>\$536,147</u>	<u>\$444,381</u>
Net Income on Operations	<u>\$ 5,361</u>	<u>\$ 6,423</u>

See Notes—Page 11

Consolidated Statement of Surplus

for the year ended December 31, 1976

Stated in '000's of Dollars

	<u>1976</u>	<u>1975</u>
BALANCE, BEGINNING OF YEAR	\$66,141	\$65,840
Net Income on Operations	5,361	6,423
Net Gain on Investments	703	2,334
Gain on Sale of Business (Note 4)	998	Nil
Transfer to Investment Valuation Reserve	(2,000)	(12,700)
Transfer to Contingency Reserve	(5,000)	Nil
Adjustment of Policy Liabilities	(1,769)	3,445
Reduction of Tax Liabilities (Note 5)	5,549	1,033
Adjustment for Currency Values	(973)	(234)
 BALANCE, END OF YEAR	 <u>\$69,010</u>	 <u>\$66,141</u>

Consolidated Balance Sheet

as at December 31, 1976

Stated in '000's of Dollars

	1976	1975
ASSETS		
Bonds (Note 3)	\$ 514,460	\$ 469,043
Stocks (Note 3)	73,660	60,026
Mortgage Loans	493,344	434,698
Segregated Investments (Market Value)	353,098	255,974
Home Office Property and Computer Equipment	19,137	20,388
Real Estate Investments	90,183	90,478
Loans on Policies	114,153	103,583
Cash and Bank Short Term Paper	1,032	4,373
Interest and Rents Earned but not yet Received	20,638	18,773
Premiums in Course of Collection	25,915	19,256
Other Assets	8,226	8,740
	<u>\$1,713,846</u>	<u>\$1,485,332</u>
LIABILITIES		
Policyowners' Reserves	\$ 970,913	\$ 880,742
Policy Proceeds, Dividends and Other Amounts on Deposit	90,736	81,850
Segregated Investment Funds	353,098	255,974
Policy Claims in Process of Payment	47,245	41,956
Provision for Future Disability Income Payments	76,800	58,424
Provision for Future Dividends to Policyowners	29,295	29,957
Taxes and Other Liabilities	20,749	21,288
Contingency Reserve	15,000	10,000
Investment Valuation Reserve (Note 3)	41,000	39,000
Surplus	69,010	66,141
	<u>\$1,713,846</u>	<u>\$1,485,332</u>

See Notes—Page 11

Notes to Consolidated Financial Statements

1. These financial statements have been prepared on a consolidated basis to include the operations of the Company's wholly-owned life insurance and real estate subsidiaries.
2. Throughout the statements, United States currency is included at the rate of \$1 Canadian to the U.S. dollar. Sterling currency is included at \$2.20 Canadian to the pound (\$2.40 is used in the comparative 1975 figures). If current rates of exchange had been used in the balance sheet, there would have been a minor increase in the surplus shown.
3. Bonds and stocks are valued at amortized cost or less, which values, after deducting the investment valuation reserve, are lower than the values if determined in the manner prescribed by the insurance laws of Canada.
4. In order to comply with legislation recently enacted in Venezuela, the Company has sold its Venezuelan policies to its non-consolidated affiliate in that country. The gain arising on this transaction amounted to \$998,000. The net income related to this business was not material to the consolidated operations.
5. Full provision is made in the consolidated statement of operations for all taxes in respect of the current year's income. The tax effects of investment and other transactions reflected in the consolidated statement of surplus, adjustment of tax liabilities in respect of prior years, and reductions in current tax liabilities arising from the deduction of amounts not previously claimed for tax purposes, are included in the consolidated statement of surplus.

Actuary's Certificate

I hereby certify that the Policyowners' Reserves and other liabilities under policy contracts included herein are not less than those required by the Canadian and British Insurance Companies Act, and that in my opinion they make good and sufficient provision for all unmatured obligations of the Company.

Toronto, Canada
January 26, 1977

M. Rosenfelder
Corporate Vice-President
Actuarial, Statements & Taxation

Auditors' Report

To the Policyowners and Directors
of Confederation Life Insurance Company

We have examined the consolidated balance sheet of Confederation Life Insurance Company as at December 31, 1976 and the consolidated statements of operations and surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the amounts required to provide for policyowners' reserves and other liabilities under policy contracts were determined and certified by the Company's Actuary.

In our opinion, based on our examination and the certificate of the Company's Actuary, these financial statements present fairly the financial position of the Company as at December 31, 1976 and the results of its operations for the year then ended in accordance with accounting practices prescribed or permitted by the Department of Insurance, Canada.

Toronto, Canada
January 26, 1977

Clarkson, Gordon & Co.,
Chartered Accountants

Board of Directors

J. K. MACDONALD
Chairman of the Board

JOHN A. RHIND
President and Chief Executive
Officer

DONALD A. McINTOSH, Q.C.
Vice-President
Partner, Fraser & Beatty

J. PAGE R. WADSWORTH
Vice-President
Director, Canadian Imperial
Bank of Commerce

CLAUDE T. BISSELL, C.C.,
Ph.D., D.Litt., D. ès L., LL.D., F.R.S.C.
Former President, University
of Toronto

ROBERT F. CHISHOLM, O.B.E.
Chairman, Thompson
Packaging Inc.

PIERRE P. DAIGLE
Vice-President and General
Manager
City National Leasing Limited
Montreal

ANTHONY F. GRIFFITHS
Chairman and Chief Executive
Officer
Canadian Cablesystems Limited

C. MALIM HARDING, O.B.E.
Chairman of the Board
Harding Carpets Limited

THOMAS E. LADNER,
D.S.C., Q.C.
Partner, Ladner Downs
Vancouver

GEORGE E. MARA
Chairman, Jannock Corporation
Limited

H. C. F. MOCKRIDGE, Q.C.
Partner, Osler, Hoskin &
Harcourt

ANDRÉ MONAST, Q.C.
Partner, St-Laurent, Monast,
Walters & Vallières
Quebec

SIR RALPH PERRING, Bt.
Chairman, Perring Furnishings
Limited
London, England

MRS. HELEN D. PHELAN
Chairman, Percy R. Gardiner
Foundation

RAY D. WOLFE
Chairman and Chief Executive
Officer
The Oshawa Group Limited

Alkins



Executive Officers

J. A. RHIND
President and Chief Executive
Officer

R. M. BELL, Q.C.
Vice-President,
General Counsel and Secretary

P. D. BURNS
Vice-President,
Canadian Operations

J. B. HEARD
Vice-President,
Personnel

P. W. LLOYD
Vice-President,
United States and
Caribbean Operations

A. J. TRUSLER
Vice-President,
Investments

D. E. WATTS
Vice-President,
Corporate

P. WORTMAN
Vice-President and
General Manager for the
United Kingdom





Confederation Life's International Operations

Confederation Life's field organization consists of:
193 Individual sales offices, 22 Group sales offices, 13
Claims and Service offices and 7 Investment offices. In
addition, the Venezuelan affiliate company, VENEZCO,
has 5 sales offices.

Any adequate perspective on the future recognizes broad areas of uncertainty where the individual can have little direct influence on the course of events. On the other hand, the individual essentially retains responsibility for doing something constructive about his own future prospects. It is here that Confederation Life is an important catalyst. By offering a wide range of financial services in the best tradition, we encourage people to anticipate future requirements and make adequate plans to meet them.



Confederation Life
INSURANCE COMPANY

Pour recevoir ce Rapport annuel en français,
il suffit d'en faire la demande.

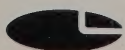
A copy of the Annual Report in French is available on request.

- ~~1975~~ 1975 ~~quart~~ ~~police~~

- slow down in gip sale

- T. M. & J. M.

- Lechin in reps



Confederation Life
INSURANCE COMPANY

A MUTUAL COMPANY INCORPORATED IN CANADA IN 1871
321 BLOOR STREET EAST, TORONTO, CANADA M4W 1H1